

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

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R 182003Z JUN 75

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 9129

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: ENRG, BEXP, UY

SUBJECT: OFFSHORE OIL EXPLORATION RIGHTS AWARDED

REF: A) MVD 356

B) MVD 764

1. ON JUNE 17, THE GOU ANNOUNCED SELECTION OF CHEVRON OVERSEAS PETROLEUM, INC. (STANDARD OIL OF CALIFORNIA) TO EXPLORE FOR OIL ALONG URUGUAY'S CONTINENTAL SHELF. AT A PRESS CONFERENCE BROADCAST OVER RADIO, PRESIDENT BORDABERRY AND MINISTER OF INDUSTRY AND ENERGY CARDOSO EXPLAINED THAT CHEVRON WAS CHOSEN BECAUSE IT HAD OFFERED URUGUAY A LARGER PERCENTAGE OF THE PETROLEUM TO BE EXTRACTED THAN HAD ESSO, THE ONLY OTHER CONTENDER PREVIOUSLY ACCEPTED BY GOU.

2. THE BASIC TERMS OF THE AGREEMENT ARE AS FOLLOWS: (1) URUGUAY WILL BE OBLIGATED TO REIMBURSE CHEVRON FOR EXPENSES INCURRED ONLY IF OIL IS FOUND, WITH ANY SUCH REIMBURSEMENT TO BE IN THE FORM OF OIL: (2) THE DRILLING OF FOUR WELLS OVER A PERIOD OF FOUR YEARS IS TO BEGIN BEFORE JANUARY 15, 1976. (UNLESS THE FIRST
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DRILLING--TO TEST THE SUBSOIL--IS EXTREMELY SUCCESSFUL, THE FINAL

RESULTS ARE NOT EXPECTED TO BE KNOWN UNTIL AFTER THE THIRD DRILLING.):

(3) IN PRINCIPLE CHEVRON WILL HAVE 30 YEARS OF DRILLING RIGHTS, BUT THE CONTRACT WILL BE SUBJECT TO READJUSTMENTS; (4) IF SUCCESSFUL, CHEVRON WILL RECEIVE 60 TO 65 PERCENT OF THE PETROLEUM FOUND, WITH THE BALANCE GOING TO URUGUAY, BUT THE COMPANY'S SHARE WILL RISE TO 80 PERCENT IF YIELDS ARE VERY LOW. IF YIELDS ARE INSIGNIFICANT, CHEVRON WILL BE PERMITTED TO STOP DRILLING; (5) THE OIL EXPLORATION WILL BE IN A ZONE 50 TO 200 KILOMETERS OFF THE ATLANTIC COAST SOUTHEAST OF PUNTA DEL ESTE, UP TO A MAXIMUM WATER DEPTH OF 200 METERS.

3. COMMENT: THIS LONG AWAITED AWARD, STILL TO BE FINALIZED IN CONTRACT FORM, IS A CRUCIAL FIRST STEP IN SEEKING AN ESCAPE FROM URUGUAY'S COSTLY DEPENDENCE ON IMPORTED OIL. THE FACT THAT THE PRESIDENT HIMSELF MADE THE ANNOUNCEMENT UNDERLINES THE IMPORTANCE THE GOVERNMENT GIVES TO THIS EFFORT.
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